This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 QUITO 000263

SIPDIS

E.O. 12958: PREL,
TAGS: ECON ETRD EAGR PGOV KDEM EC
SUBJECT: BANANA EXPORTERS CONTEST PROPOSED EU TARIFF

¶1. Summary. On January 26, Quito hosted a meeting of representatives from seven Latin American banana-exporting countries who oppose a recent European Union decision to impose a 230 Euro (US$ 300) per metric ton tariff on banana imports beginning in January 2006. The presidents of Guatemala, Costa Rica, Panama, Colombia, and Ecuador attended the summit, as did the Honduran foreign minister and a delegation from Nicaragua. The final declaration included a call for a follow-on technical meeting February 14-15 in Colombia, at which officials will consider next steps. EU officials said they intend to "carefully study" the summit's results but go forward nonetheless with plans to impose the tariff in 2006; the EU formally notified its new levy to the WTO on January 31. Local leaders believe the EU decision threatens Latin American interests considerably. End summary.

Banana Summit

¶2. The EU has proposed charging 230 Euro per ton for bananas imported from Latin America, to go into effect in January ¶2006. Besides generating revenues, the tariff is intended to protect fruit production in EU members' former colonies in Africa, the Caribbean and Southeast Asia. Former Spanish colonies in Latin America are not provided such protection. Latin American producing nations claim that a tariff greater than 75 Euro, the current within quota rate, is unfair.

¶3. Ecuadorian FM Patricio Zuquilanda, allegedly speaking for the Latin Americans January 18, called for the complete elimination of the banana tax. Subsequently, ministers of trade, agriculture, and foreign affairs from the seven Latin producers gathered in Panama City January 25, a day before the Quito summit, to craft a joint declaration in opposition to the levy. The ministers claim that the high tariff proposed by the EU violates the EU's World Trade Organization (WTO) obligations. Their draft declaration called on the EU to respect its Doha Round commitments on market access for tropics-grown agricultural products.

¶5. Presidents and country representatives signed the document in Quito January 26. The statement formalizes their intention to conduct joint banana export negotiations with the EU, though there is no agreement on a specific negotiating position. Leaders committed to evaluating the progress of their discussions before the end of March. At a February 14-15 technical meeting in Colombia, Latin producers plan to analyze various counter-proposals to the EU measure. According to an aide to Ecuadorian Trade Minister Baki, when the EU officially notified the 230 Euro tariff on January 31 it effectively started the 60-day clock for WTO arbitration, making the extension of the current quota system much less likely. Prospects were also not good for resolving the dispute outside of arbitration, in his opinion.

¶6. Delegations in Quito also agreed to convey the Quito Declaration points to EU authorities via their missions in Brussels. In comments to the press January 26, Ecuadorian Minister of Agriculture Leonardo Escobar "leaked" another next step: issuing a joint presidential statement seeking a reduced EU tariff that guaranteed Latin American access to the European banana market.

¶7. European Union representatives were present in Quito as observers. They later told media they would closely study the declaration and future Latin American requests, but asserted the EU remained committed to implementing the tariff regime in ¶2006.

U.S. Banana Company Comments

¶8. Ecuadorian representatives from Del Monte, Chiquita and Dole told Embassy officials that they favored a tariff of 75 Euros. If the tariff were set much higher, Chiquita would prefer to keep the current quota system. (Chiquita has licenses it would like to retain to protect its European market.) Del Monte, on the other hand, described the quota and license system as a "disaster." Dole, while opposed to the 230 Euro tariff was willing to consider a tariff higher than 75 Euros.

COMMENT

¶9. The EU tariff decision will impact banana exporters of the region, many of which are U.S.-based companies. Press accounts estimate adverse economic impact to the seven Latin American countries as some $4.4 billion per year. There are social costs as well, mainly associated with increased unemployment the European tax could bring. For example, Colombian President Alvaro Uribe, in remarks in Quito, claimed that "ten thousand Colombians (former illegal combatants) have been demobilized and need to find jobs, but where are they going to find them if this crisis is not solved?"

KENNEY